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Lischka, Juliane A

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## **Strategic Renewal During Technology Change**

### **Tracking the Digital Journey of Legacy News Companies**

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#### **Abstract**

Digitization represents an incrementally competence-destroying technology change for legacy news companies. This study analyses strategic and operational renewal of six incumbent news publishers in the UK, Finland, and Switzerland based on narratives of their annual reports. Their digital journey is coined by two transformations: digitizing news business operations and lateral diversification into non-news-related digital markets. Thereby, willpower represents a corporate capacity that indicates the willingness for renewal. Lateral diversification renews the companies' profit formula, which leads to a negative cost-benefit perception regarding future investments in digital journalism by some incumbents. These incumbents communicatively prepare to incrementally abandon their core journalism business. From the communicative constitution of organizations (CCO) perspective, annual report narratives represent instruments for legitimizing corporate restructuring and repositioning.

**Keywords:** Communicative constitution of organizations (CCO); digitalization; inertia; journalism; sensemaking; strategy

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## **Introduction**

Companies facing competence-destroying change require new knowledge, skills, and abilities while existing products are replaced by new products based on a new technology. Digitization represents an *incrementally* competence-destroying socio-technological change for legacy news companies that is tied in with an increasing need to acquire digital capabilities and a gradually shrinking residual market fit of the traditional news product. This market situation in journalism is often framed as a crisis (Brüggemann et al., 2016). Zelizer (2015) asserts this apocalyptic instead of resolvable crisis narrative has paralyzed news organizations and hinders renewal, risking becoming digitization laggards.

This study analyzes renewal of legacy news companies from two theoretical lenses: corporate sensemaking and CCO. Since companies are interpretation systems that employ sensemaking of their environment (Daft & Weick, 1984), a pessimistic interpretation of the environment may hinder news organizations' ability to recognize opportunities and appropriately renew. Assuming that communication constructs organizations (Czarniawska, 1997; McPhee & Zaug, 2009), including (changes of) organizational structures, actions, and institutional identity, renewal is subject to organizational discourse.

This study aims at understanding how incumbents renew strategy and operations and what narratives accompany the communicative constitution of organizational transformation. Therefore, this study empirically compares annual report narratives of six incumbent, listed media companies that are major suppliers of journalistic content in the UK, Finland, and Switzerland.

## **Theoretical considerations**

### **Inertia hinders renewal**

Renewal is one type of organizational change that involves the modification of existing organizational characteristics and “includes the process, content, and outcome of refreshment

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Lischka, J. A. (2019). Strategic renewal during technology change: Tracking the digital journey of legacy news companies. *Journal of Media Business Studies*, 16(3), 182–201. <https://doi.org/10.1080/16522354.2019.1635349> or replacement of attributes of an organization” (Agarwal & Helfat, 2009, p. 282). Thereby,

renewal is embedded in corporate narratives (McClellan, 2013) and corporate rhetoric facilitates or complicates organizational change (Lockwood, Giorgi, & Glynn, 2019).

Renewal depends on being able to link environmental change to corporate strategy (Horst & Moisander, 2015; Oliver, 2014). Hannan and Freeman’s (1977, 1984) structural inertia theory states that inertia impedes organizations to efficiently renew facing environmental change. Inertia is defined as the inability of organizations to adapt their strategy at the same pace as the environment changes (Hannan & Freeman, 1984). Strategy is related to the long-term prospects of companies and critically influences success or failure (Agarwal & Helfat, 2009; Habersang, Küberling-Jost, Reihlen, & Seckler, 2018). Hopkins, Mallette, and Hopkins (2013, p. 77) define strategic inertia as companies’ tendency to “remain with the status quo and their resistance to strategic renewal outside the frame of their current strategy.” That is, strategic inertia is a result of top management’s failure to observe and interpret cues from the environment and respond promptly to these cues (Hopkins et al., 2013).

Godkin and Allcorn (2008) argue that inertia has three components. First, insight inertia interrupts the organizational learning cycle and hinders the accurate and timely adoption and interpretation of relevant information from the environment. That is, organizational sensemaking is disturbed and “contain[s] biases and distorting filters that lead to dysfunctions in learning, insight and knowledge generation” (Godkin & Allcorn, 2008, p. 84). Second, action inertia occurs when the managerial responses to environmental information are too slow or deficient. Thereby, insight and action inertia are related. Crilly (2017) shows how active and passive descriptions of the future as “we are approaching a future” and “the future is approaching,” respectively, determine managerial action regarding long-term renewal. Third, psychological inertia describes the resistance to change in employees who may ascribe fear, anger or loss to organizational change.

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Tushman and O'Reilly (1996, p. 18) describe inertia as “the dark side to [...] success.”

Inertia develops because successful companies become larger and older. A larger size requires interlinked structures to handle increased complexity. Resulting bureaucratic structures make renewal lengthier, costlier, and more difficult, i.e., action inertia occurs. As a company becomes older, organizational learning is increasingly embedded in shared experiences and expectations of how things ought to be done, i.e., insight and psychological inertia develop. In news organizations, for instance, professional journalistic roles and news making processes become institutionalized over time, thus establishing cultural inertia. That is, structures and culture represent an iron cage for renewal. Gilbert (2005, 2006) shows how the temporary residual fit of existing technologies, i.e., the market success of products based on existing technologies, initially hinders renewal and deepens path dependencies in news organizations (also, Cestino & Matthews, 2016). Due to a residual fit, the awareness of the need to renew and resource rigidity can co-exist (Balkefors, Björklund, & Carlquist, 2015).

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While the market situation is stable, inertia allows the exploitation of present capabilities and resources, which is important for generating profits (Tushman & O'Reilly, 1996). However, when confronted with discontinuous shifts as in turbulent environments, inertia threatens the very existence of companies (Hannan & Freeman, 1989). Habersang et al. (2018) identify company failure archetypes, including the laggard archetype that is related to inertia. Instead of aligning strategy and operations to the rapidly changing environment, renewal remains incremental. A failing company operationally focuses on simplistic efficiency measures such as cost cutting and profitability (Habersang et al., 2018).

While turbulent environments require faster decision making, innovation, operational and strategic agility (Jantunen, Tarkiainen, Chari, & Oghazi, 2018; Saleh & Watson, 2017), legacy news organizations are found to react inertly to digitization and first focus on realizing cost-efficiencies instead of strategic renewal (Brüggemann, Esser, & Humprecht, 2012;

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Lehtisaari et al., 2018), revealing characteristics of the laggard archetype. Yet, renewal has

coexisted with inertia in news companies since the early digital age (Gilbert, 2006; Küng, 2013). Although renewal efforts have become increasingly dominant and industry leaders express willpower to be on the cutting edge, media managers still regard inertia as one of the biggest risks to the success of news organizations in the digital age (Horst & Moisander, 2015; Küng, 2017).

## **Overcoming inertia**

### **Information acquisition and framing.**

Strategic renewal becomes relevant whenever technology advances (Agarwal & Helfat, 2009). For legacy news organizations in the digital age, the “first challenge [...] is to diagnose the nature of any technological change correctly” (Küng, 2013, p. 10) and to overcome insight inertia. Therefore, paying attention to the environment is necessary. Sensemaking (Weick, 1995) describes how information about a company’s environment transforms into knowledge. Through sensemaking, a company acquires information about its environment, interprets and frames this information, and acts on the interpretation of its environment, arriving at a stage of deeper comprehension as a basis for renewal. For instance, the environment framing may vary between a positive, opportunity-offering or a negative, challenging environment across companies that analyze the same environment. Such narratives help to make sense of the environment and guide companies in finding strategies to react to ongoing change (Horst & Järventie-Thesleff, 2016).

Especially in times of discontinuous change, as opposed to incremental change, sensemaking based on existing frames may endanger appropriate renewal (Maula, Keil, & Zahra, 2013). For instance, threat perception caused by environmental turbulence can increase inertia in news companies through reduced experimentation and focusing on existing resources (Gilbert, 2005). Maijanen and Jantunen (2014, p. 142) emphasize for the strategic renewal of a

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Finnish broadcaster that inertia or change “are centrifugal, because they are all, by their nature, path dependent, carrying the accumulations of past experiences in the ways of doing and thinking.” Also, Zelizer’s (2015) note that the perception of uncertainty is related to path dependency in journalism supports this argument of the coupling of insight and action inertia.

In contrast, the perception of an unstable and complex environment can also foster the sensemaking process (Neill, McKee, & Rose, 2007) and lead to superior performance of media organizations (Naldi, Wikström, & von Rimscha, 2014; Oliver, 2014). That is, “the higher the level of uncertainty, the greater the likelihood that new information from the outside will be communicated within the organisation, [which] encourages internal discussions of change” (Lowrey, 2011, p. 74). Thus, a turbulent environment framing may lead to overcoming insight inertia.

#### **Willpower and action.**

The second challenge is to avoid an identity conflict but find the willpower to overcome action inertia and implement change, despite possible cultural inertia. Studying organizational response to normative pressures, Durand, Hawn, and Ioannou (2018) argue that organizational willingness to change is determined by the severity of perceived environmental pressure and the ability to change depends on a cost-benefit analysis. That is, companies first need to develop willpower, which is based on their environmental framing, and then need to sense benefits from change.

Willpower is a concept studied in psychology as a capacity of “purposive striving” to pursue a goal and is related to “the cognitive process by which an individual decides on and commits to a particular course of action” (Karp, 2014, p. 153). Willpower predicts positive outcomes in life such as better grades and higher earnings (Smithers et al., 2018). Karp (2014) argues that willpower is a key capability for company leaders to deal with uncertainty and resistance against renewal, i.e., psychological inertia. Applied to companies, willpower

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comprises the corporate capacity of purposively striving for a goal that results from a sensemaking process by which the management of a company decides on and commits to a specific course of action. Thereby, willpower is idiosyncratic to companies since it is a matter of individual cognition and communicative negotiation, mostly on a managerial level, and may manifest in expressions of company objectives or mission statements. In line with the willpower of individuals, a greater organizational willpower may reflect in a greater willingness to be an industry leader and positively predict market performance. Thus, willpower helps to maintain the corporate identity and can accelerate overcoming action inertia.

Dennis, Warley, and Sheridan (2006) show that incumbent media companies differ in their expressed willpower and pace of adoption to digital technology. Early adopters are industry leaders who “want to be on the cutting edge either to create market share in the new digital landscape or to influence the new rules of the game yet to be played” (Dennis et al., 2006, p. 47). However, learners are more cautious toward renewal and develop a “strong desire to improve and learn from their digital initiatives” (Dennis et al., 2006, p. 47), indicating diffidence and thus less willpower than leaders. In contrast, laggards remain skeptical about digital technology and regard their traditional business as their core business, potentially being a “rigid follower that subsequently depletes its resource base until failure is inevitable” (Habersang et al., 2018, p. 40).

To translate willpower into action depends on a subjective cost-benefit analysis (Durand et al., 2018). Lavie (2006) suggests that renewal is determined by the perceived value maximization potential of new capabilities. Companies seek to fill the operational gap between the perceived value-maximizing capability and their status quo. Yet, “a wide operational gap entails challenging reconfiguration objectives or high reconfiguration costs” (Lavie, 2006, p. 168), indicating that reconfiguration costs are justifiable when the perceived value of renewal is high.



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Figure 1 illustrates the theoretical relation of environmental framing determining willpower, and willpower as well as sensing costs and benefits determining renewal. Related to the renewal of incumbents in times of incremental competence-destroying technology change, this study asks,

RQ 1. Which operational and strategic renewal activities do incumbents employ facing incremental competence-destroying technological change?

RQ 2. How are organizational environment framing, willpower, and costs and benefit narratives related to the renewal of incumbents?

[Figure 1 about here]

### Method

To answer the research questions, this study compares environmental framing, inertia, willpower, cost and benefits as well as renewal narratives in the annual reports of six incumbent, listed media companies: Daily Mail General Trust (DMGT) and Trinity Mirror in the UK; Sanoma and Alma Media in Finland; Ringier and Tamedia in Switzerland.

### Observation period

The observation period begins in the era of “digital participation and multimedia,” dated between 2000 and 2014, in which news companies shifted toward digital content and digital-first strategies (Küng, Newman, & Picard, 2016, p. 448). The rationale for the selection of the observation years 2010, 2013, and 2016 is a focus on a mid-term strategy horizon that allows time for strategy implementation. The mid-term horizon is appropriate for large organizations facing low flexibility due to bureaucratization and formalization, resulting in long durations to bring about change (Kelly & Amburgey, 1991, p. 608). During the observation time, newspapers lost print advertising revenues due to online advertising, which intensified during the financial crisis in 2009 (Sridhar & Sriram, 2015).

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### **Sample**

The countries include one large and two small European media markets with professional journalism cultures (Brüggemann, Engesser, Büchel, Humprecht, & Castro, 2014) suggesting a high degree of cultural inertia. News organizations in these countries experienced a similar decline in newspaper circulation and advertising revenues and face relatively high (Finland), medium (Switzerland), and low (UK) share of consumers who pay for online news (Newman, Fletcher, Kalogeropoulos, Levy, & Nielsen, 2018).

The sample comprises two large and thus relatively resourceful news organizations per country that have their roots in the newspaper business and have been in business for a long time (Table 1). DMGT is a multinational and diversified company that provides information, analysis, news, and entertainment. Trinity Mirror (since 2018: Reach) is a large national and regional multimedia content publisher in the UK (Picard, 2017). Sanoma is one of the largest media companies in the Nordic countries, owning magazines, newspapers, broadcasting networks, learning content companies, websites, apps and digital services (Grönlund & Björkroth, 2017). Alma Media is the biggest publisher of newspapers and free-sheets in Finland and focuses on digital services (Grönlund & Björkroth, 2017). Ringier and Tamedia are major publishers in Switzerland owning newspapers, magazines, and e-commerce platforms (Dal Zotto, Sacco, & Schenker, 2017).

[Table 1 about here]

### **Material**

Weick, Sutcliffe, and Obstfeld (2005, p. 409) emphasize that sensemaking is “an issue of language, talk, and communication” and becomes evident in external strategy documentation, for example, in annual reports. Annual reports review the most important company activities within a year. From the CCO perspective, annual reports can be conceptualized as communicative events that are instruments for self-structuration and

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institutional positioning (McPhee & Zaug, 2009). Messages in annual reports come from high-status members of the organization and represent the greater organization. Thereby, annual reports are means of strategic communication and contain information about how an organization represents itself to stakeholders. Thus, annual reports include a bias toward the positive or dramatize ideas (Jameson, 2000), which may be stronger with a higher need to attract shareholders, for instance, shares in free float (see Table 1).

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The basis for analysis were the English-language annual reports of 2010, 2013, and 2016 of each company. Considering both the longitudinal comparability across news organizations and the specificities of each report, (a) the publisher, chairman and CEO statements, which range between 415 words (Sanoma's annual report in 2013) to 1,921 words (Alma Media's annual report in 2013) (average 917 words, standard deviation 420 words) and (b) reports of the national news outlet division including print and online news outlets were analyzed. The publisher, chairman and CEO statements define company strategy and can be considered one of the most representative parts of annual reports (Castelló & Lozano, 2011).

### Analysis dimensions

**Environment framing.** We distinguish between a threatening and destructive versus positive and constructive framing of the environment (Zelizer, 2015, p. 896). Threat perception is "a deep sense of vulnerability that is assumed to be negative, likely to result in loss, and largely out of one's control" (Gilbert, 2005, p. 742). We further focus on descriptions of volatility, uncertainty, complexity, and ambiguity (VUCA). This includes judgments about the pace of change, the lack of knowledge about interconnectedness, confused options, and the diversity of potential results (Saleh & Watson, 2017, p. 712). An unpredictable environment is related to turbulence, which differs from a dynamic environment with a foreseeable change (O'Regan, Sims, & Galleary, 2008).

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**Inertia.** In the case of news companies, the focus on the print product signals inertia.

Therefore, we analyze the role of print technology and print journalism as an indicator of remaining with the status quo (Hopkins et al., 2013). Pace of *overcoming* inertia is revealed through the adoption of emerging technologies. Therefore, we compare the point in time of technology adoption by a company to the position of this technology in its life cycle. Thereto, we use Gartner's hype cycle, which is developed by a consultancy firm to reveal a technology's maturity, including, for instance, e-readers, big data, virtual reality, and machine learning. The measurement is based on public references of technologies and can serve as proxy for the awareness of new technologies in an industry.

**Willpower.** Willpower is measured as the expressed will to lead the industry and be an early adopter based on narratives that distinct leaders from learners and laggards according to Dennis et al. (2006).

**Costs and benefits.** Benefits involve the expectation or realization of financial and social gains (e.g., reputation or legitimacy). Costs include direct expenses, required future investments, opportunity costs generated by resource mobilization (i.e., resources are not available for other uses), as well as social costs (e.g., reputation or legitimacy loss) (Durand et al., 2018).

**Operational renewal.** Operations address a company's resources such as people, technology, partnerships, and alliances as well as processes of product design and development and are thus central to a company's business model (Johnson, Christensen, & Kagermann, 2008). They also include effectiveness measures such as cost cutting or layoffs (Jantunen et al., 2018).

**Strategic renewal.** We analyze changes in business focus. Focus defines in which business area(s) a company is active (Porter, 1996) and affects a company's profit formula (Johnson et al., 2008). Diversification alters focus. With lateral diversification, companies enter

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new business areas, which expands the industries a company belongs to and broadens the company's technological skills (Ansoff, 1957). Vertical diversification relates to controlling a company's products' value chain, i.e., owning a printing press in addition to editorial offices. Horizontal diversification comprises the introduction of new products that lie within a company's know-how (Ansoff, 1957), i.e., regional and national news outlets.

### **Coding**

First, the annual reports were critically reviewed, asking the grounded theory coding questions of “What is the material a study of?” and “What is actually happening in the material?” (Glaser, 1998, p. 140). This step resulted in understanding the nature of each report and identifying relevant sections. CEO statements are the most comparable sections across the reports and findings mostly refer to these sections. Market overviews, strategy, and technology sections were included if they informed measurement dimensions in greater detail. Due to the existence of narratives regarding the analysis categories, the material is found to be generally useful for informing the research questions.

The coding followed a thematic qualitative analysis approach (Mayring, 2000), applying a view over time followed by a cross-sectional analysis. First, using the software MaxQDA, reports were read line-by-line identifying expressions regarding the analysis dimensions. Based on the frequency, centrality, and uniqueness of the expressions, thematic narratives per annual report were derived. This process was repeated several times for all companies until a saturation of the thematic narratives were reached, i.e., nothing new was added and the major themes were distinct. For emerging technologies, annual reports were key-word searched for mentions of technologies of Gartner's hype cycle of each corresponding year. Next, the digital journey for each company was traced representing the major themes for each company. Finally, the individual digital journeys were combined to a digital journey pattern based on parallel or delayed developments and unique framings or activities.

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### Findings

#### Operational and strategic renewal activities (RQ 1)

**Operational efficiency enables extensive digitization.** The companies accomplish operational actions consisting of cost cutting measures in the less profitable business areas of print or regional journalism, digitization and digital technology adoption into processes and products, as well as restructuring to use synergies across the company's business units and to increase the pace of decision making. The year 2013, in particular, has had increased actions seeking operational efficiency, often to generate cash for investment and increase financial flexibility. Once the print business is "streamlin[ed]" (Sanoma 2013, p. 7) and its "operational excellence" is reached (Ringier 2013, p. 3), "strategic investments [...] in digital capabilities" are made (Trinity Mirror 2013, p. 2).

Major investments into digital technology have reorganized the news business unit, year after year. Digitization includes content developing for e-readers and app developing (all news companies in 2010), the implementation of central newsrooms (Ringier 2010), a central digital content management system (Trinity Mirror 2010), digital-first, multi-channel, and mobile-first approaches (Alma Media 2010, Sanoma 2013, Trinity Mirror 2013), data journalism activities (Trinity Mirror 2013, Tamedia 2016), virtual reality implementation (Ringier 2016), establishing an innovation lab or fund (Sanoma 2013, Tamedia 2013), using machine learning for content creation (DMGT 2016), and digital services for advertisers (Trinity Mirror 2010, Alma Media 2016, Tamedia 2013, Ringier 2016).

Operational renewal involves monetary and technology resources, partnerships and alliances, processes, and products and thus comprises a broad range of actions that are central to the companies' business models, as argued by Johnson et al. (2008). The observed companies also focus on efficient resource utilization and employ centralization of product and process development as found by Lehtisaari et al. (2018). Yet, funds to spare are reinvested into central

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elements of the news companies' business model. Thus, operational action involves business model renewal to suit the digital age.

**Strategic diversification is the industry credo.** Renewing the strategic focus occurs in two areas: horizontal within journalism and lateral beyond journalism on digital markets. Within journalism, the news companies partly narrow their range of products by disposing regional and print news and develop their markets through internationalization or regionalization. For instance, DMGT quits investments in regional news in 2010 and disposes the regional news unit in 2013.

Some companies (Trinity Mirror, Sanoma, Alma Media, Ringier, and Tamedia) widened their focus through becoming active in the online classified or e-commerce business. This lateral diversification is related to the classified advertisement business of the traditional print product, which has moved to digital marketplaces for car sales or job searches, for instance. These new digital business units account for high profits: “Trinity Mirror’s digital portfolio has seen record growth in 2016” (2016, p. 17). Alma Media’s CEO describes “[i]nternational digital investments” into such platforms as “most important measures in 2013” (2013, p. 2). After realizing their profit potential around 2013, Ringier increasingly focused on this side of the business. This lateral diversification strategy is often described as appropriate reaction to the volatile and lethal environment in the annual reports.

**Digital technology competence manifests in organizational structure.** To develop digital technology competence is central to the news companies. To support digitization, innovative companies are acquired (e.g., a news and blog service, Alma Media 2016) or cooperated with (e.g., Tamedia and Matter in 2016 “to expand our horizons and to discover new ideas and approaches that will help us develop” (2016, p. 2)). Moreover, by 2016, three news organizations (DMGT, Trinity Mirror, and Ringier) had established group-wide technology units, which oversee digitization across journalism and non-journalism business

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units. This unit is led by a chief technology officer (CTO) and aims at enhancing cross-divisional digital innovation and learning. The CTO role originates from information technology companies and demonstrates the relevance of and focus on technology becoming manifest in the fundamental organizational structure.

**Renewal is incremental, rather than revolutionary, and isomorphic.** Both, operational and strategic renewal do not occur revolutionarily, but the news companies implemented a series of incremental changes, which is the most feasible way for large companies to overcome inertia in dynamic environments, according to Kelly and Amburgey (1991). Moreover, the major operational and strategic renewal activities, digitizing production and product and lateral diversification, respectively, are largely similar across the observed incumbents. Such mimetic adoption becomes likely under high levels of uncertainty when limited information about the consequences of the disrupting technology is available, as argued by Lavie (2006). In such a situation, choices of competitors provide better clues than using one's own information. Thus, mimetic adoption is created by herd behavior where learners adopt the changes leaders demonstrate.

#### **The role of environment framing, cost-benefit perception, and willpower (RQ 2)**

**The environment is unpredictable when explaining bad results, otherwise dynamic.** The descriptions of the environment vary between deeply challenging and offering unique opportunities, often simultaneously. Challenges refer to the print or regional news markets. Opportunities are seized in digital (news) markets. The news companies mostly describe their environment as volatile, partly as uncertain, but not as complex and rarely as ambiguous. DMGT, Tamedia, and Sanoma regard the environment as potentially lethal in 2010. Ringier emphasizes the existential threat throughout the observation period. Thus, “a deep sense of vulnerability” (Gilbert, 2005, p. 742) is identifiable in the reports. Moreover, apocalyptic and constructive framings coexist, which contradicts Zelizer's (2015) assertion of a purely



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destructive crisis framing in journalism. VUCA framings are often used to justify poor company results and legitimize operational and strategic renewal. As argued by Jameson (2000), a dramatization of the environment could be a strategic communication bias used to convince shareholders and stakeholders to support renewal of the company.

Whereas news companies often consider the environment as uncertain in the years after the financial crisis, the framing changes towards dynamism in 2016. The initial turbulence framing with an unpredictable environment develops to a dynamic framing with increasingly rapid change. According to O'Regan et al. (2008), dynamism is related to mostly foreseeable as opposed to unpredictable change. The framing transformation suggests that the news companies do not need to justify poor results any longer and can sense their future by 2016.

**Threat perception does not hinder renewal.** Ringier's publisher most extensively and apocalyptically describes environmental threats stating, "Digital technology [...] places a question mark over the company as a whole." (2016, p. 27), and refers to inertia hindering change: "it is considerably easier to establish a new company than to redesign an established organisation from the bottom up" (2016, p. 27). However, this has not hindered concurrent renewal. Also, DMGT, Tamedia, and Sanoma refer to the lethality in the news business and renew operations and strategy. In fact, the rationale of operational action is closely linked to a destructive environmental framing functioning as an imperative to react—or risk becoming distinct. DMGT's CEO provides the motto, "[I]f you want to survive [...], react quickly and efficiently." (2010, p. 7) This includes to "enhance our financial flexibility in order to pursue [...] capital allocation opportunities." (DMGT 2016, p. 10) In parallel to acknowledging both challenges and opportunities, the news companies emphasize the need to becoming more operationally efficient and being willing to innovate and invest.

**It's not insight inertia, it's just residual fit.** Trinity Mirror, Alma Media, Ringier, and Tamedia often focus on print technology and products in 2010 and 2013. Thereby, the news

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companies diversify horizontally (e.g., into the regional news business: Tamedia, Trinity Mirror) or vertically (i.e., into printing presses: Trinity Mirror, Alma Media) in 2010 and 2013. For instance, Tamedia's CEO rigidly argued in 2010 that "Switzerland is and will remain a newspaper country" (p. 6) and Tamedia's chairman believed "in the future of the newspaper in particular" in 2013 (p. 3), implying a strong residual market fit of the traditional product. Also, DMGT's CEO considers print "far from dead" (2010, p. 10), which, however, does not hinder in recognizing "that our future is largely digital" (p. 5) and later aiming at "replacing our reliance on print media" in 2016 (p. 2). Yet also the news companies focusing on the traditional product do not solely remain with the status quo but have overcome inertia as indicated by their renewal activities. At the latest in 2016, the traditional product is out of focus stating that one is "ready to master the digital future" (Tamedia 2016, p. 7). Thus, while inertia and renewal coexisted in the beginning of the observation period confirming Balkefors et al. (2015) results, the focus on renewal increased due to a decreasing residual fit.

**The cost-benefit analysis can detach from journalism.** The relative importance of the new digital business compared to the journalism business separates news organizations into two groups. One group (Trinity Mirror, Alma Media, Sanoma, Tamedia) regards their news business as valuable and describes responsibilities related to creating public spheres, particularly against the background of online fake news distribution. The other group (DMGT, Ringier) discursively detaches from the less profitable journalism business units, watching digital marketplace business units become major sources for profit growth. Ringier stated in 2016 that relying on journalism is lethal after realizing the profitability of digital marketplaces in 2013. This group may in future decrease investments in their journalism business in favor of a "more certain potential of other opportunities for investment," to use the words of DMGT's CEO (2010, p. 6) regarding quitting investments for regional news, especially if they find the digital journey "long, arduous, challenging and costly" (Ringier 2016, p. 27).

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Ringier's narrative indicates the perception of a gap regarding value maximization and constant reconfiguration costs for the digitization of the journalism business. The perceived operational gap between the status quo and expected operational capabilities for digital journalism challenges future renewal as suggested by Lavie (2006). Thus, successful lateral diversification while expensive and enduring operational renewing of the core business area leads to an investment dilemma that may detach some news companies from its core business.

**Willpower is the door to renewal; benefits are the keys.** The news companies differ in their motivation to lead the industry and seizing digital opportunities as well as sensing benefits. We identify leaders (DMGT and Alma Media), learners who become leaders (Sanoma and Tamedia), and learners (Trinity Mirror and Ringier). DMGT's CEO states its eagerness to be a leader in the industry most clearly having "always been a first mover in the media and information industry" (2010, p. 6). Alma Media regards itself as a leader since "[t]he company sets the stage for the future of media" (2010, p. 9) and the CEO emphasizes being a historically early digitization mover lacking cultural inertia: "We began Alma Media's digital transformation back in the 1990s, and our multimedia-enabling operating culture is deeply ingrained in our day-to-day work." (2016, p. 6)

Tamedia and Sanoma went from being a learner in 2013 to a leader in 2016. Tamedia has accepted rapid changes, which is why "we have to get used to the fact that they will only gather speed" (2013, p. 3), after learning many lessons. Similarly, Sanoma's CEO describes its mood as forward-looking after a difficult learning period: "There is a growing sense that we can do this and the momentum is building up." (2013, p. 8). In 2016, Tamedia's CEO ends his letter describing the company as an opportunity-seizing leader, approaching "the opportunities and challenges of the digital transformation this year with curiosity, openness and vigour, because we are ready to master the digital future" (2016, p. 7). Also, Sanoma's chairman

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acknowledges they are “an active player in this changing world” (2016, p. 1) and “must continuously improve our product competitiveness and innovation power” (2016, p. 1).

Trinity Mirror and Ringier reveal learner characteristics throughout the observation period. To cope with technological advances, Trinity Mirror has “encouraged the sharing of more information regarding technology developments across the group [...] [and] retained the services of a technology expert to advise us at group level.” (2010, p. 5). Furthermore, Trinity Mirror senses opportunities through looking towards the future and identifying trends. Ringier’s organizational change results in “a modern, diversified media enterprise, whose digital transformation is now well advanced” (2013, p. 3). Ringier’s CEO recognizes that “companies with no culture of constant new learning will simply be left in the dust” (2016, p. 29) and identifies Ringier as having a “capacity for permanent change” (2016, p. 27).

Comparing the technology adoption of the news companies to emerging technologies according to Gartner’s hype cycle show that companies with a greater willingness to lead the industry adopted digital technology earlier (Figure 2). Figure 2 displays Gartner’s hype cycle of emerging technologies that pass through five stages over time and compares the position of a new technology in the cycle when it is first mentioned in the annual reports. In 2013 and 2016, DMGT, Sanoma, and Alma Media adopted emerging technologies such as machine learning and robot journalism as well as big data and cloud computing for digital advertising during the period of inflated expectations. In 2016, Ringier adopted virtual reality news formats on its way to maturity. Tamedia and Trinity Mirror mention efforts in data journalism, which is, however, not directly related to a hype cycle technology. DMGT, Sanoma, and Alma Media can be regarded as comparatively early adopters of emerging technologies and Ringier as an adopter of a mature technology.

Thus, leaders put more energy into digitization, recognize performance benefits early in renewal, and intend to seize them. These companies stress agility and flexibility as appropriate

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responses to their environment, in line with Bennett and Lemoine (2014), and respond earlier and more innovatively to the environment, as found in Neill et al. (2007).

[Figure 2 about here]

### Discussion

This analysis shows how sensemaking preconditions shape renewal. The aspects of renewal are summarized in Table 2. Concerning RQ 1, renewal of news companies is coined by (1) digitizing operations in the news business and (2) strategic lateral diversification into digital markets. To fund the extensive digitalization activities and to improve operating results, realizing operational efficiencies through reorganization and cost cutting are major issues for years. The observed incumbents do not motiveless focus on operational efficiency as shown in Brüggemann et al. (2012) and Lehtisaari et al. (2018), and thus do not risk losing their competitive edge at the expense of true strategic renewal as the laggard archetype (Habersang et al., 2018). Operational and strategic renewal activities are largely isomorphic across incumbents. These activities address major business model characteristics and thus innovate the companies' business models. The strategic lateral diversification creates a new stage of the digital journey of news organizations. Lateral diversification has successfully redesigned the companies' revenue sources, which realize a greater profit in new, non-news-related business areas.

As a result, news companies face a dilemma concerning investment decisions into more profitable versus less profitable but core business units: Companies that perceive an operational gap in their traditional compared to the new, more profitable business areas may in future incrementally decrease investments in their journalism business. New business units represent a “more certain potential of other opportunities for investment,” to use the words of DMGT's CEO (2010, p. 6) regarding quitting investments for regional news, especially if the operationally ambitious digital journey is framed as “arduous and costly” (Ringier 2016, p. 27).

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Decreasing investments threatens the competitive advantage of the news business in an ever-changing technology environment and may eventually lead to an abandoning of the news business altogether. This development is also found in incumbent news companies in Germany (Lobigs & Neuberger, 2018). Oakes, Townley, and Cooper (1998, p. 277), studying historical museums, conclude that change

leads some people to try to remake themselves, while others may stop contributing or withdraw completely. Some [...] no longer understood the rules of the game; others not only embraced the new field but helped give it shape.

This observation matches the reactions of the observed news companies facing technology change. The coming years will reveal whether the tendency of withdrawing represents a trend or outlier behavior. Indicators for withdrawing include no longer understanding the rules of the game, a lack of willpower to shape the industry, and a perceived gap between necessary operational renewal and value. In contrast, those companies who perceive social and financial benefits from journalism and, for instance, want to “exploit new opportunities to generate publicity on the key issues faced by democratic society” (Tamedia, 2016, p. 1), may not withdraw from the news business. News companies that inertly appreciate their legacy may continuously invest in the digitalization of their news business, thus enhancing the future of journalism.

Concerning RQ 2, we stress it is not environmental framing but the relation of willpower and perceiving costs and benefits that is decisive for renewal (see Figure 1, empirical relation). This contrasts Zelizer’s (2015) assumption that the crisis narrative has paralyzed the news industry and extends the organizational sensemaking process (Neill et al., 2007; Weick, 1995; Weick et al., 2005). Findings suggest that willpower and cost-benefit narratives determine corporate action. While the environment is sometimes framed as posing severe threats, the threat narrative justifies negative corporate results and legitimizes operational and strategic

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renewal. Thereby, the crisis narrative is used to open doors to new business opportunities. Yet the severity also depends on the strategic function of the annual report that is lower for companies striving to attract shareholders due to a lower number of shares in free float. Willpower may also be a narrative the companies use to assure stakeholders about the secure implementation of plans, yet willpower narratives are related to a forwardness and extend of operational and strategic activities. Early and extensively renewing companies sense benefits in technological change and express a willpower to lead and shape the industry.

[Table 2 about here]

### **Limitations**

While annual reports contain central corporate narratives, a major limitation of this study is relying on annual reports for analyzing corporate action. However, the author shares the impression with previous scholars (e.g., Barr, Stimpert, & Huff, 1992; Maijanen, 2015) that major action is reported and evaluations have a background in the corporate reality. Especially in a longitudinal and comparative cross-sectional design, annual reports are a good source for understanding the unique essence of a company through its argumentation and wording that is used beyond standard paragraphs and clutter of strategic expressions.

Second, the present sample includes only big players. Thus, the results may not be transferable to news companies with fewer resources and not owning a key national or regional news outlet. Third, the sample is too small to relate company characteristics distinctively to certain renewal activities. For instance, DMGT has the broadest focus beyond the media industry, largest revenues, highest stock performance increase, and a great interest to attract and maintain shareholders due to their high level of shares in free float. Therefore, it remains unclear how their comparatively early expressed willpower and sensing of digital opportunities are related to a specific company characteristic. In contrast, this study classifies Ringier as a somewhat inert learner and pessimistic interpreter. However, Ringier's need to explicitly state

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its willingness to lead the industry may be low whereas they can afford to address problems

openly due to no need to attract shareholders (see Table 1).

Moreover, the present study design focuses on the mind-set of top managers instead of considering individuals on various levels within the company who perceive and interpret. We also cannot reveal the intensity of organizational attention towards the environment and the process of managerial interpretation since both remain internal. Future research could shed light on these gaps for news companies using a multi-method approach.

### **Conclusion**

This study analyses the renewal of six incumbent news companies in the UK, Finland, and Switzerland facing competence-destroying technological change. Thereby, companies are conceptualized being interpretation systems (Daft & Weick, 1984) whose renewal is communicatively constructed (McPhee & Zaug, 2009). As interpretation systems, companies diagnose their environment, analyze the costs and benefits of renewal, develop willpower to renew, and implement actions of operational and strategic renewal. Thereby, communication constitutes organizational structures and negotiates identity.

Drawing on environment framing as sensemaking capacity and studying preconditions of organizational renewal, this study advances our theoretical understanding of news company transformation in the digital age. Facing incrementally competence-destroying technology change, present results show that renewal of incumbents is determined by the negotiation between willpower and their cost-benefit analysis. Rather than depending on environmental framing as suggested by Durand et al. (2018), willpower is related to (expectations of) accomplishing social and financial benefits through renewal. Thereby, willpower represents a corporate capacity that indicates the willingness for renewal and can predict positive corporate outcomes. Future organizational research may further explore the usefulness of willpower for explaining corporate action, long-term competitive advantage, and organizational survival.



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The present study also highlights the relevance of annual reports for the communicative constitution of companies regarding self-structuring and institutional positioning vis-à-vis their internal and external stakeholders. First, the review of operational and strategic renewal activities institutionalizes novel organizational processes and structures. Thereby, renewal and willpower narratives steer corporate transformation. Second, through evaluating the environment and company success, the observed news companies communicate their institutional positioning and identity. This includes the communicative legitimation of repositioning one's industry membership through negative cost-benefit and mortality narratives. Therefore, this study contributes to CCO scholarship showing how corporate narratives constitute organizational transformation.

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Table 1: Overview over selected news companies

News organization	Size	Age	Major news outlet	Stock performance	Shares in free float
DMGT (UK)	£1.52bn; 9,945	1896	<i>Daily Mail</i> (1896)	£451; 580; 670 (+33%)	74%
Trinity Mirror (Reach) (UK)	£623m; 4,775	1999 (merger)	<i>Daily Mirror</i> (1903)	£161; 99; 163 (+1%)	89%
Sanoma (FIN)	£1.26bn; 4,415	1999 (merger)	<i>Helsingin Sanomat</i> (1889)	€16; 8; 4 (–75%)	40%
Alma Media (FIN)	£324m; 2,318	1849	<i>Aamulehti</i> (1881)	€7; 5; 3 (–43%)	36%
Ringier (CH)	£762m; 6,877	1833	<i>Blick</i> (1959)	n.a.	0%
Tamedia (CH)	£734m; 3,261	1893	<i>Tagesanzeiger</i> (1893), <i>20min</i> (1999)	CHF 75; 110; 171 (+56%)	20%

Notes. Size: Revenue; number of employees. Age: founding year. Major news outlet (founding year). Stock performance: stock prices in January 2010; 2013; 2016 (change 2010/2016 in %).

Sources: stockopedia.com (June 2018), except Ringier: ringier.com (annual report 2017).

Table 2: Sensemaking and renewal narratives

Aspect	Function	Main insight	Example
Environmental framing	To justify bad company results and to legitimize renewal activities	Strategic framing, Severity also depends on the need to attract shareholders	“Unforeseeable and severe volatility makes it important to keep operational business streamlined.” (Tamedia 2010, p. 2)
Residual fit	To exploit traditional capabilities	Coexisting with renewal, incrementally decreasing	“Whilst we believe print is far from dead, our growth lies in digital media.” (DMGT 2010, p. 10)
Willpower	To purposively solve the innovator’s dilemma	Corporate characteristic that accompanies renewal activities	“We can [...] steer the direction of change” (Sanoma, 2016, p. 1)
Cost-benefit analysis	To perceive capability renewal as costly or necessary	Legitimation to detach from low-profit news business	“[E]xcessive economic dependence on journalism is lethal.” (Ringier 2016, p. 29)
Operational renewal	Business model innovation: Adjustment	Extensive but incremental and isomorphic	“strategic investments [...] in digital capabilities, in new

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	of key processes and		digital products and in
	competences		new publishing
			systems.” (Trinity Mirror
			2013, p. 2);
Strategic renewal	Business model	Incremental and	“[T]he digital classified-
	innovation:	isomorphic,	advertising market [is]
	Revenue source redesign	causes an investment	extremely profitable.”
		dilemma	(Ringier 2013, p. 2)

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Figure 1: Theoretical and empirical relations of preconditions for renewal

Figure 2: Adoption of emerging technologies of Gartner's hype cycles in 2010, 2013, and 2016